

CITY OF NORTH SALT LAKE NORTH SALT LAKE CITY, UTAH



GENERAL PURPOSE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30th, 2006

Together with Independent Auditor's Report

Prepared by:
North Salt Lake City
Administration Department

Brian K. Passey, MBA
Finance Director

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INDEPENDENT AUDITOR'S REPORT

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
City of North Salt Lake
North Salt Lake, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of North Salt Lake's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake as of June 30, 2006, and the respective changes in financial position, and, where applicable, the cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2006 on our consideration of the City of North Salt Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of North Salt Lake basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund statements listed as supplemental information in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The impact fee schedules listed as supplemental information in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Tensen & Keaddington

August 11, 2006

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of North Salt Lake's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006.

Please read it in conjunction with the City's basic financial statements, which begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 3. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings and water lines) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Sales taxes, property taxes, utility taxes, and state and federal grants finance most of these activities.

Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water system and golf course are reported here.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. However, the City council establishes other funds to help it control and manage money for particular purposes, (ex. Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (ex. Grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation with the fund financial statements.

Proprietary funds: when the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business-type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City has no assets that – because of a trust arrangement – can be used only for the trust beneficiaries. Therefore, the City does not serve as Trustee for any agencies or other parties.

THE CITY AS A WHOLE

The City's combined net assets grew substantially again over a year ago – increasing from \$12,201,195 to \$18,209,353. Looking at net assets and net expenses for both governmental and business-type activities shows a strong upward trend. Our analysis which begins on the following page focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

City of North Salt Lake's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 7,898,341	\$ 6,898,657	\$ 1,900,955	\$ 1,888,647	\$ 9,799,296	\$ 8,787,304
Capital assets	8,178,945	4,167,143	12,162,779	10,464,496	20,341,724	14,631,639
Total assets	\$ 16,077,286	\$ 11,065,800	\$ 14,063,734	\$ 12,353,143	\$ 30,141,020	\$ 23,418,943
Long-term liabilities outstanding	\$ 254,361	\$ 251,675	\$ 7,988,772	\$ 657,625	\$ 8,243,133	\$ 909,300
Other liabilities	3,196,142	2,880,573	492,392	7,427,875	3,688,534	10,308,448
Total liabilities	\$ 3,450,503	\$ 3,132,248	\$ 8,481,164	\$ 8,085,500	\$ 11,931,667	\$ 11,217,748
Net assets:						
Investment in capital assets, net of related debt	\$ 8,178,945	\$ 4,167,143	\$ 4,251,780	\$ 2,742,731	\$ 12,430,725	\$ 6,909,874
Restricted	1,229,020	845,316	272,610	304,126	1,501,630	1,149,442
Unrestricted	3,218,818	2,921,093	1,058,180	1,220,786	4,276,998	4,141,879
Total net assets	\$ 12,626,783	\$ 7,933,552	\$ 5,582,570	\$ 4,267,643	\$ 18,209,353	\$ 12,201,195

Net assets of the City's governmental activities increased by \$4,493,231 or 59 percent. Changes to unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$297,728 or 10 percent.

The net assets of the City's business-type activities increased by \$1,315,227 or 31 percent. This increase is explainable for both the water and golf course business activities. Water system increases are the result of abnormally high impact fee revenues, a non-operating income source due to high building permit activity. The City generally can only use these net assets to finance the continuing operations of the water system and golf course.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

City of North Salt Lake's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,989,346	\$ 3,248,343	\$ 4,676,900	\$ 4,044,637	\$ 7,666,246	\$ 7,292,980
Operating grants and contributions	550,336	322,182	-	-	550,336	322,182
Capital grants and contributions	2,868,418	-	214,615	-	3,083,033	-
General revenues:						
Property taxes	1,570,619	1,443,702	-	-	1,570,619	1,443,702
Other taxes	3,165,257	2,689,268	-	-	3,165,257	2,689,268
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	189,879	1,074,746	13,853	99,033	203,732	1,173,779
Total revenues	11,333,855	8,778,241	4,905,368	4,143,670	16,239,223	12,921,911
Expenses:						
General government	1,630,851	1,341,367	-	-	1,630,851	1,341,367
Public safety	2,182,160	1,897,414	-	-	2,182,160	1,897,414
Public health	542,982	570,053	-	-	542,982	570,053
Highways and public improvements	1,655,269	1,514,746	-	-	1,655,269	1,514,746
Parks, recreation and public property	542,044	472,264	-	-	542,044	472,264
Redevelopment	32,379	35,219	-	-	32,379	35,219
Interest on long-term debt	-	-	510,423	492,321	510,423	492,321
Water	-	-	1,806,639	1,642,982	1,806,639	1,642,982
Golf course	-	-	1,328,318	1,347,497	1,328,318	1,347,497
Total expenses	6,585,685	5,831,063	3,645,380	3,482,800	10,231,065	9,313,863
Increase in net assets before transfers	4,748,170	2,947,178	1,259,988	660,870	6,008,158	3,608,048
Transfers	(54,939)	(620,650)	54,939	620,650	-	-
Increase (decrease) in net assets	4,693,231	2,326,528	1,314,927	1,281,520	6,008,158	3,608,048
Net assets July 1, 2005	7,933,552	5,607,024	4,267,643	2,986,123	12,201,195	8,593,147
Net assets June 30, 2006	\$ 12,626,783	\$ 7,933,552	\$ 5,582,570	\$ 4,267,643	\$ 18,209,353	\$ 12,201,195

Total City general revenues increased by \$2,555,614 or 29 percent, while general program and service expenses increased by \$754,622 or 13 percent. Strong building department revenue and related permit fees led to an overall increase of \$6,008,158 or 49 percent in net assets. Our analysis to follow separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the City's governmental activities increased by \$2,555,614 or 29 percent and total expenses increased by \$754,622 or 13 percent. The factors driving these results include:

- In the middle of a building boom, the City issued 347 new residential permits this fiscal year, compared to 425 in the previous year, resulting in an 18 percent decrease. Building plan check and permit revenue decreased from \$1,235,026 to \$1,017,534 over the previous fiscal year, a decrease of \$217,492 or 18 percent.
- General fund tax revenue increased from \$4,147,167 to \$4,753,154, an increase of \$605,987 or 15 percent. Fines and forfeiture revenues decreased slightly from \$578,984 to \$570,089, a decrease of \$8,895 or 2 percent.
- Other permit fees decreased accordingly. Park development fees decreased from \$563,850 to \$433,450, a decrease of \$130,400 or 23 percent. Storm drain development fees decreased from \$171,480 to \$144,160, a decrease of \$27,319 or 16 percent.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

Business-type Activities

Operating revenues for the City's business-type activities increased by \$326,888 or 11 percent and operating expenses increased by \$174,795 or 6 percent. Water development fees, a non-operating revenue, increased by \$261,525 or 24 percent. Net transfers into business-type activities decreased by \$565,711, a decrease of 91 percent. With very large increases in revenue and the slight overall increase in expenses, net assets increased by \$3,608,048. The factors driving these results include:

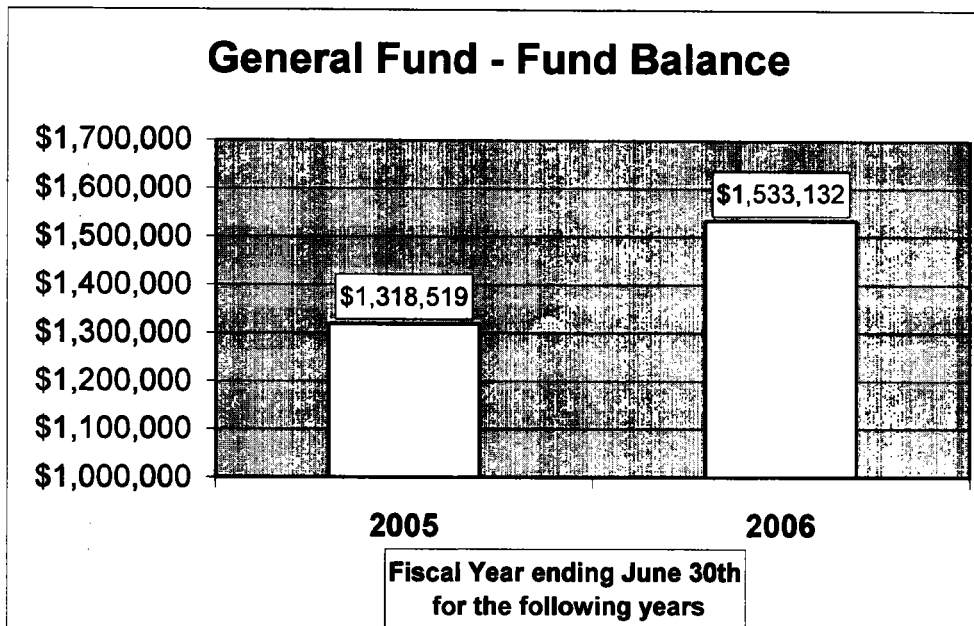
- Golf revenue decreased slightly by 1.6 percent, while golf expenses increased by 0.9 percent, resulting in a net decrease of \$13,898 in golf operating income. Golf salaries & wages increased, while others decreased (i.e., water purchases) at a slower rate. Fortunately, expense increases were mostly one-time, with the exception of salaries and wages.
- Water operating income increased from (\$51,676) to \$114,315, an increase of \$165,991. This is due to the efficient management of the City's billing and collection efforts and methods for its water system.

THE CITY'S FUNDS

General Governmental Functions

The General Fund

The fund balance increased by 16 percent (from \$1,318,519 to \$1,533,132). The following graphs show the increase to the fund balance.



CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

General Governmental Functions

The increase to the fund balance is a result of an intention to reserve additional fund balance to something less than Utah State statutory maximum, which equals to eighteen (18) percent of subsequent year total budgeted revenue. While virtually every General Fund revenue type came in over original budget, excess General Fund Balance was reduced due primarily to transfers to the Capital Projects Fund and Golf Enterprise Funds. These transfers accomplished the following: (a) transfers to the Capital Projects fund are currently funding a planned-for City Hall addition greatly needed, and (b) transfers to the Golf Fund eliminated retained earnings deficit accumulations in the early years of golf course operations. The net effect of these is an increase to the fund balance by \$214,613.

Municipal Building Authority

This fund records the debt service paid for by the Golf Enterprise Fund towards necessary bond payments for the clubhouse extension project finished in 2001. This fund balance is now zero, as the City opted to pay this bond off early in October 2003.

Capital Projects Fund

The construction activity in this fund this year related to the completion in November 2005 of a new Public Works Shops facility located at 642 North 400 West, North Salt Lake, Utah. The only other activity this year was the transfer in of \$900,000 from the general fund (to help relieve excess fund balance).

Business-type functions

Water fund

Net assets of the water fund increased this year by approximately \$1,314,927 compared to an increase of \$942,182 last year. This increase is due primarily to (a) a healthy increase in both water operating revenue and in customer base, and (b) connection fee increases not offset by increases to water purchases, salaries and wages, supplies and services.

Golf fund

Net assets of the golf fund, at a zero value, experienced no change compared to last year. Because net assets had been in a deficit position, it is also appropriate to say that the net assets deficit was eliminated. This transfer amount overcame increases to salaries and wages, which went from \$442,207 to \$437,424, a decrease of (\$4,783) or (1.1) percent. In August 2003, the City refunded the 1995 G.O. bond, resulting in a \$73,439 reduction to interest expense. This also aided in the overall improvement to net assets discussed above, by lowering overall bond interest expenses.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget to reflect new information they received regarding revenues and expenditures. The final budget has been adjusted as follows. General tax and charge-for-service revenue have been revised downward to reflect actual growth and activity. Overall general governmental expenditures were revised downward due to decreased expenditures in street operations, maintenance, and repair projects, offset partially by smaller increases to judicial, administrative, building operations & maintenance, police and fire expenditures. The judicial department saw an increase to overall personnel wage and benefit costs. Administrative cost increases were due to wage, benefit, and one-time increases to professional and technical services. Police expense increases included manpower, supplies, services, and equipment. Fire services contracted through the South Davis Metro Fire Agency increased by \$34,798 over prior fiscal year amounts. Due to a growing number of new households, both sanitation revenues and expenses increase together. Parks and recreation expenditures were adjusted slightly upward due to the City's desire to expand both programs.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

General Fund Budgetary Highlights (Continued)

Street department operating expense increases were in the areas of equipment repairs, snow removal, and new equipment purchases. Repair and reconstruction project expenses were likewise down, due to a perceived inability to finish seal coating and certain other projects in a timely manner to charge to fiscal year 2005~6.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006 the City had \$20,341,721 invested in a broad range of capital assets, including land holdings, vehicles and maintenance equipment, buildings, park facilities, roads, and utility distribution systems. This amount represents an increase of \$5,710,082 or 39 percent over the \$14,631,639 investment from last year.

This year's major additions include:

Six sedan-type police vehicles	\$ 172,526
New Shop Property Building completion	852,979
5,200 ft Elevation Reservoir expansion project	717,540
350 E Reservoir: Donut-shaped tank project	566,895
Freda (1100 N, Woods Cross) Well Re-drilling project	365,165
Golf Putting & Practice Area improvement project	96,141

The City issued no debt to finance acquisition and/or completion of the major asset additions listed above. All acquisitions were made with current, budgeted funds or accumulated reserves (for waterline projects). More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

City of North Salt Lake Capital Assets
(Net of Depreciation)

	Governmental Activities 2006	Business-type Activities 2006	Total 2006
Land	\$ 3,387,396	\$ 2,498,138	\$ 5,885,534
Buildings	1,608,782	1,217,764	2,826,546
Improvements	416,368	-	416,368
Golf Course	-	2,397,169	2,397,169
Water distribution system	-	3,920,916	3,920,916
Machinery and equipment	907,245	442,981	1,350,226
Infrastructure	1,859,154	-	1,859,154
Construction in progress	-	1,685,811	1,685,811
Total assets	\$ 8,178,945	\$ 12,162,779	\$ 20,341,724

Debt

At year-end, the City had \$8,243,133 in bonds and notes outstanding versus \$9,639,550 last year – a decrease of \$1,396,417 or 14 percent. For all activities, the City did not incur any new debt. For additional information on debt, see pages 33-35 of this report.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's management purchased land, performed site preparation, and completed constructing its new City shop facility located at 642 North 400 West. The City acquired the property following a land purchase closing on August 12, 2004. Occupancy took place in November 2005, with the City streets, water, engineering, building, planning and zoning, and other related departments moved to this new location. Additionally, the City budgeted over \$1.5 million in capital fund reserves to expand the City Hall location, giving much-needed room and space to the police and court facilities. Construction costs are funded in the Capital Projects fund, and are currently appropriated. Appropriation of such funds is found in Budget Year 2006~2007.

Owing to strong growth on its southeast bench, the City's management has begun to construct an additional water reservoir tank at its current 5,200 ft. elevation property. This commenced in August 2005. This reservoir tank project is appropriated in the water fund budget for fiscal year 2006~7. Cost for this tank project is expected to be approximately \$700,000. Water rate increases may be necessary, in addition to strong permit revenue collection of water development impact fees. The water development portion of the water fund reserves are already adequate to fund this future project.

The City completed an early payoff of its 1998 Series Water Bond in November 2005. Due to phenomenal growth, the City deemed it necessary in August 2006 to issue a water revenue bond in the amount of 4.56 million dollars. Proceeds from the 2006 Series Water Revenue Bond will carry out the completion of numerous, necessary water system projects found on the City's current Capital Facility Plan.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH SALT LAKE
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,352,864	\$ 1,101,313	\$ 4,454,177
Receivables:			
Accounts, net	67,675	209,147	276,822
Taxes	1,816,098	-	1,816,098
Intergovernmental	75,000	-	75,000
Inventories	-	185,596	185,596
Internal balances	1,267,230	(1,267,230)	-
Prepays	53,200	-	53,200
Deferred charges	-	1,399,519	1,399,519
Restricted assets:			
Cash and cash equivalents	1,266,274	272,610	1,538,884
Capital assets (net of accumulated depreciation):			
Land	3,387,396	2,498,138	5,885,534
Buildings	1,608,782	1,217,764	2,826,546
Improvements	416,368	-	416,368
Golf course	-	2,397,169	2,397,169
Water distribution system	-	3,920,916	3,920,916
Machinery and equipment	907,245	442,981	1,350,226
Infrastructure	1,859,154	-	1,859,154
Construction in progress	-	1,685,811	1,685,811
Total Assets	\$ 16,077,286	\$ 14,063,734	\$ 30,141,020
Liabilities:			
Accounts payable	\$ 750,950	\$ 316,255	\$ 1,067,205
Accrued liabilities	93,792	40,116	133,908
Liabilities payable from restricted assets	37,254	-	37,254
Customer deposits	-	136,021	136,021
Deferred revenue	1,780,466	-	1,780,466
Construction bonds held	533,680	-	533,680
Noncurrent liabilities:			
Due within one year	37,878	657,303	695,181
Due in more than one year	216,483	7,331,469	7,547,952
Total Liabilities	3,450,503	8,481,164	11,931,667
Net Assets:			
Invested in capital assets, net of related debt	8,178,945	4,251,780	12,430,725
Restricted for:			
Impact fees	1,222,875	-	1,222,875
Debt service	-	272,610	272,610
Property tax increment	6,145	-	6,145
Unrestricted	3,218,818	1,058,180	4,276,998
Total Net Assets	12,626,783	5,582,570	18,209,353
Total Liabilities and Net Assets	\$ 16,077,286	\$ 14,063,734	\$ 30,141,020

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

Functions/Programs	Programs Revenue			Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General governmental	\$ 1,630,851	\$ 1,157,019	\$ 227,267	\$ -	\$ (246,565)	\$ -	\$ (246,565)
Public safety	2,182,160	575,470	10,198	-	(1,596,492)	-	(1,596,492)
Public health	542,982	542,977	-	-	(5)	-	(5)
Highways and public improvements	1,655,269	148,116	312,871	2,848,418	1,654,136	-	1,654,136
Parks, recreation and public property	542,044	530,892	-	20,000	8,848	-	8,848
Redevelopment	32,379	34,872	-	-	2,493	-	2,493
Total Governmental Activities	6,585,685	2,989,346	550,336	2,868,418	(177,585)	-	(177,585)
Business-type Activities:							
Water	1,910,977	3,337,436	-	214,615	-	1,641,074	1,641,074
Golf Course	1,734,403	1,339,464	-	-	-	(394,939)	(394,939)
Total Business-type Activities	3,645,380	4,676,900	-	214,615	-	1,246,135	1,246,135
Total Government	\$ 10,231,065	\$ 7,666,246	\$ 550,336	\$ 3,083,033	(177,585)	1,246,135	1,068,550
General Revenues:							
					1,570,619	-	1,570,619
Property taxes					1,904,707	-	1,904,707
Sales taxes					1,260,550	-	1,260,550
Franchise taxes					164,649	13,853	178,502
Unrestricted interest on investments					22,706	-	22,706
Other					2,524	-	2,524
Gain (loss) on sale of capital assets					(54,939)	54,939	-
Transfers							
Total General Revenues					4,870,816	68,792	4,939,608
Changes in Net Assets					4,693,231	1,314,927	6,008,158
Net Assets, Beginning					7,933,552	4,267,643	12,201,195
Net Assets, Ending					\$ 12,626,783	\$ 5,582,570	\$ 18,209,353

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,439,188	\$ 1,913,676	\$ -	\$ 3,352,864
Receivables:				
Accounts, net	67,675	-	-	67,675
Taxes	1,753,727	-	62,371	1,816,098
Intergovernmental	75,000	-	-	75,000
Due from other funds	1,267,230	-	-	1,267,230
Prepays	53,200	-	-	53,200
Restricted assets:				
Cash and cash equivalents	-	-	1,266,274	1,266,274
Total Assets	\$ 4,656,020	\$ 1,913,676	\$ 1,328,645	\$ 7,898,341
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 750,950	\$ -	\$ 37,254	\$ 788,204
Accrued liabilities	93,792	-	-	93,792
Deferred revenue	1,744,466	-	36,000	1,780,466
Construction bonds held	533,680	-	-	533,680
Total Liabilities	3,122,888	-	73,254	3,196,142
Fund Balances:				
Reserved for:				
Impact fees	-	-	1,249,246	1,249,246
Property tax increment	-	-	6,145	6,145
Prepays	53,200	-	-	53,200
Unreserved, reported in:				
General Fund	1,479,932	-	-	1,479,932
Capital Projects Fund	-	1,913,676	-	1,913,676
Total Fund Balances	1,533,132	1,913,676	1,255,391	4,702,199
Total Liabilities and Fund Balances	\$ 4,656,020	\$ 1,913,676	\$ 1,328,645	\$ 7,898,341

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 4,702,199
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,178,945
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	<u>(254,361)</u>
Total net assets - governmental activities	<u>\$ 12,626,783</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 4,753,133	\$ -	\$ 34,379	\$ 4,787,512
Licenses and permits	101,705	-	-	101,705
Intergovernmental revenues	550,336	-	-	550,336
Charges for services	1,621,729	-	-	1,621,729
Impact fees	-	-	616,246	616,246
Fines and forfeitures	570,089	-	-	570,089
Interest	115,459	49,190	44,638	209,287
Miscellaneous	6,009	-	-	6,009
Total Revenues	7,718,460	49,190	695,263	8,462,913
Expenditures:				
Current:				
General government	1,513,757	-	-	1,513,757
Public safety	2,135,070	-	-	2,135,070
Public health	516,186	-	-	516,186
Highways and public improvements	1,495,588	-	45,369	1,540,957
Parks, recreation, and public property	278,947	761	225,440	505,148
Redevelopment	-	-	32,379	32,379
Capital outlay:				
General government	162,935	-	-	162,935
Public safety	123,272	-	-	123,272
Public health	35,262	-	-	35,262
Parks, recreation, and public property	19,941	1,174,002	-	1,193,943
Total Expenditures	6,280,958	1,174,763	303,188	7,758,909
Excess (deficiency) of Revenues Over (Under) Expenditures	1,437,502	(1,125,573)	392,075	704,004
Other Financing Sources (Uses):				
Transfer in	57,000	1,185,000	20,000	1,262,000
Transfer out	(1,294,939)	-	(2,000)	(1,296,939)
Sale of assets	15,050	-	-	15,050
Total Other Financing Sources and Uses	(1,222,889)	1,185,000	18,000	(19,889)
Net Change in Fund Balances	214,613	59,427	410,075	684,115
Fund Balance, Beginning	1,318,519	1,854,249	845,316	4,018,084
Fund Balance, Ending	\$ 1,533,132	\$ 1,913,676	\$ 1,255,391	\$ 4,702,199

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 684,115
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(339,502)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	1,515,412
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations) is to increase net assets.	2,835,892
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	(2,686)
Change in net assets of governmental activities	<u>\$ 4,693,231</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	\$ 4,280,403	\$ 4,737,900	\$ 4,753,133	\$ 15,233
Licenses and permits	93,000	103,000	101,705	(1,295)
Intergovernmental revenues	515,500	550,000	550,336	336
Charges for services	1,845,000	1,602,500	1,621,729	19,229
Fines and forfeitures	640,000	585,000	570,089	(14,911)
Interest	71,500	165,000	115,459	(49,541)
Miscellaneous	10,947	5,700	6,009	309
Total Revenues	7,456,350	7,749,100	7,718,460	(30,640)
Expenditures:				
Current:				
General government:				
Legislative	105,650	103,650	103,589	61
Judicial	341,650	320,650	317,872	2,778
Administrative	326,800	411,050	410,944	106
Government buildings	217,000	245,000	227,656	17,344
Planning and zoning	103,050	109,350	109,284	66
Building inspection	291,600	320,100	319,946	154
Engineering	176,300	170,800	167,059	3,741
Community development	25,000	25,000	20,342	4,658
Public safety:				
Police	1,405,200	1,451,700	1,478,302	(26,602)
Animal control	15,000	15,000	14,532	468
Fire	755,000	765,600	765,508	92
Public health:				
Sanitation	506,000	557,000	551,448	5,552
Highways and public improvements:				
Streets	714,250	718,750	730,251	(11,501)
Public works	851,000	708,600	765,337	(56,737)
Parks, recreation, and public property:				
Parks	248,850	284,350	279,437	4,913
Recreation	14,000	19,500	19,451	49
Total Expenditures	6,096,350	6,226,100	6,280,958	(54,858)
Excess of Revenues Over (Under)				
Expenditures	1,360,000	1,523,000	1,437,502	(85,498)
Other Financing Sources (Uses):				
Transfer in	57,000	57,000	57,000	-
Transfer out	(1,425,000)	(1,595,000)	(1,294,939)	300,061
Sale of assets	8,000	15,000	15,050	50
Total Other Financing				
Sources and Uses	(1,360,000)	(1,523,000)	(1,222,889)	300,111
Net Change in Fund Balance	\$ -	\$ -	214,613	\$ 214,613
Fund Balance, Beginning			1,318,519	
Fund Balance, Ending			\$ 1,533,132	

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Business-type Activities - Enterprise Funds				
	Water		Golf		Totals
	Current Year	Prior Year	Current Year	Prior Year	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 1,101,313	\$ 1,903,496	\$ -	\$ 242,523	\$ 1,101,313
Accounts receivable, net	199,324	153,914	9,823	7,999	209,147
Inventory	114,351	126,669	71,245	57,952	185,596
Total Current Assets	1,414,988	2,184,079	81,068	308,474	1,496,056
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents	272,610	304,126	-	-	272,610
Capital assets:					
Land	144,663	144,663	2,353,475	2,353,475	2,498,138
Buildings	294,908	294,908	1,193,016	1,193,016	1,487,924
Golf Course	-	-	3,126,709	3,030,568	3,126,709
Water distribution system	5,691,767	5,405,595	-	-	5,691,767
Machinery and equipment	572,134	572,134	818,500	812,663	1,390,634
Construction in progress	1,685,811	10,524	-	-	1,685,811
Accumulated depreciation	(2,259,365)	(2,025,879)	(1,458,839)	(1,327,171)	(3,718,204)
Deferred charges	68,246	113,042	1,331,273	-	1,399,519
Due from other funds	33,588	33,588	-	-	33,588
Total Noncurrent Assets	6,504,362	4,852,701	7,364,134	6,062,551	13,868,496
Total Assets	\$ 7,919,350	\$ 7,036,780	\$ 7,445,202	\$ 6,371,025	\$ 15,364,552

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
June 30, 2006

	Business-type Activities - Enterprise Funds				Totals
	Water	Water	Golf	Golf	
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 222,404	\$ 82,735	\$ 93,852	\$ 64,342	\$ 316,256
Accrued liabilities	17,088	17,976	23,028	18,992	40,116
Compensated absences	6,083	8,230	11,220	16,395	17,303
Bonds payable	230,000	238,000	410,000	395,000	640,000
Total Current Liabilities	475,575	346,941	538,100	494,729	1,013,675
Noncurrent Liabilities:					
Due to other funds	-	-	1,300,817	941,619	1,300,817
Customer deposits	136,021	105,816	-	-	136,021
Compensated absences	26,184	17,380	34,285	31,870	60,469
Notes payable	-	-	657,000	657,000	657,000
Bonds payable	1,699,000	2,299,000	4,915,000	4,245,807	6,614,000
Total Noncurrent Liabilities	1,861,205	2,422,196	6,907,102	5,876,296	8,768,307
Total Liabilities	2,336,780	2,769,137	7,445,202	6,371,025	9,781,982
Net Assets:					
Invested in capital assets, net of related debt	4,200,918	1,977,987	50,862	764,744	4,251,780
Restricted for debts service	272,610	304,126	-	-	272,610
Unrestricted	1,109,042	1,985,530	(50,862)	(764,744)	1,058,180
Total Net Assets	5,582,570	4,267,643	-	-	5,582,570
Total Liabilities and Net Assets	\$ 7,919,350	\$ 7,036,780	\$ 7,445,202	\$ 6,371,025	\$ 15,364,552

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds					Totals Current Year
	Water Current Year	Water Prior Year	Golf Current Year	Golf Prior Year		
Operating Revenues:						
Water sales	\$ 1,652,104	\$ 1,334,848	\$ -	\$ -	\$	\$ 1,652,104
Golf fees	-	-	657,968	643,121		657,968
Rent/lease	-	-	469,175	456,379		469,175
Connection fees	224,875	209,623	-	-		224,875
Sales	-	-	209,444	223,579		209,444
Other	43,975	47,456	977	16,624		44,952
Total Operating Revenues	1,920,954	1,591,927	1,337,564	1,339,703		3,258,518
Operating Expenses:						
Salaries & benefits	438,591	356,059	606,518	616,350		1,045,109
Office expense and supplies	13,071	8,835	39,546	15,809		52,617
Equipment - supplies and maintenance	68,985	100,344	78,686	70,983		147,671
Building and grounds - supplies and maintenance	35,431	40,171	49,430	31,831		84,861
Special department supplies	321,226	309,251	102,453	105,862		423,679
Power purchases	286,211	223,501	29,740	24,259		315,951
Water purchases	355,965	333,150	113,463	94,260		469,428
Professional services	39,708	28,547	7,540	33,192		47,248
Merchandise	-	-	105,929	131,002		105,929
Depreciation	233,487	226,528	162,823	164,778		396,310
Other	13,964	17,217	32,190	28,233		46,154
Total Operating Expenses	1,806,639	1,643,603	1,328,318	1,316,559		3,134,957
Operating Income (Loss)	\$ 114,315	\$ (51,676)	\$ 9,246	\$ 23,144	\$	\$ 123,561

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds					Totals Current Year
	Water Current Year	Water Prior Year	Golf Current Year	Golf Prior Year		
Nonoperating Income (Expense):						
Interest income	\$ 87,185	\$ 48,561	\$ -	\$ -	\$	87,185
Impact fees	1,343,150	1,081,625	-	-		1,343,150
Interest expense	(104,338)	(91,328)	(406,085)	(431,310)		(510,423)
Gain (loss) on sale of assets	-	-	1,900	21,604		1,900
Other Income	-	-	-	60,250		-
Total Nonoperating Income (Expense)	1,325,997	1,038,858	(404,185)	(349,456)		921,812
Income before contributions and transfers	1,440,312	987,182	(394,939)	(326,312)		1,045,373
Capital contributions	214,615	-	-	-		214,615
Transfers in	-	-	394,939	665,650		394,939
Transfers out	(340,000)	(45,000)	-	-		(340,000)
Changes in Net Assets	1,314,927	942,182	-	339,338		1,314,927
Net Assets, Beginning	4,267,643	3,325,461	-	(339,338)		4,267,643
Net Assets, Ending	\$ 5,582,570	\$ 4,267,643	\$ -	\$ -	\$	\$ 5,582,570

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				
	Water	Water	Golf	Golf	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 1,905,749	\$ 1,637,167	\$ 1,335,740	\$ 1,345,529	\$ 3,241,489
Payments to suppliers	(983,462)	(1,085,243)	(538,724)	(538,672)	(1,522,186)
Payments to employees and related benefits	(431,934)	(486,091)	(609,278)	(601,217)	(1,041,212)
Net cash flows from operating activities	490,353	65,833	187,738	205,640	678,091
Cash Flows From Noncapital Financing Activities:					
Transfers in	-	-	394,939	665,650	394,939
Transfers out	(340,000)	(45,000)	-	-	(340,000)
Interest paid	(59,543)	(71,329)	(258,163)	(283,391)	(317,706)
Impact fees	1,343,150	1,081,625	-	-	1,343,150
Due to other funds	-	-	359,198	(32,171)	359,198
Proceeds from other income	-	-	-	60,250	-
Net cash flows from non-capital financing activities	943,607	965,296	495,974	410,338	1,439,581
Cash Flows From Capital and Related					
Purchase of capital assets	(1,746,844)	(161,805)	(133,135)	(87,654)	(1,879,979)
Proceeds from sales of capital assets	-	-	1,900	21,604	1,900
Bond payments	(608,000)	(228,830)	(795,000)	(335,000)	(1,403,000)
Net cash flows from capital and related financing activities	(2,354,844)	(390,635)	(926,235)	(401,050)	(3,281,079)

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				
	Water	Water		Golf	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Cash Flows From Investing Activities:					
Interest on investments	87,185	48,561	-	-	87,185
Net cash flows from investing activities	87,185	48,561	-	-	87,185
Net Increase (Decrease) In Cash and Cash Equivalents	(833,699)	689,055	(242,523)	214,928	(1,076,222)
Cash and Cash Equivalents At Beginning Of Year	2,207,622	1,518,567	242,523	27,595	2,450,145
Cash and Cash Equivalents At End Of Year	\$ 1,373,923	\$ 2,207,622	\$ -	\$ 242,523	\$ 1,373,923

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				
	Water Current Year	Water Prior Year	Golf Current Year	Golf Prior Year	Totals Current Year
Reconciliation of operating income to net cash flows from operating activities:					
Earnings (loss) from operations	\$ 114,315	\$ (51,676)	\$ 9,246	\$ 23,144	\$ 123,561
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:					
Depreciation	233,487	226,528	162,823	164,778	396,310
Changes in assets and liabilities					
Accounts receivable, net	(45,662)	20,462	(1,824)	5,826	(47,486)
Inventories	12,540	(16,476)	(13,293)	6,243	(753)
Accounts payable	139,699	(7,751)	29,510	(10,956)	169,209
Accrued liabilities	5,769	(130,032)	1,276	16,605	7,045
Customer deposits	30,205	24,778	-	-	30,205
Net cash flows from operating activities	\$ 490,353	\$ 65,833	\$ 187,738	\$ 205,640	\$ 678,091
<u>Noncash financing activities</u>					
Amortization of cost of issuance on bonds	\$ 49,604	\$ 19,169	\$ 147,919	\$ 147,919	\$ 197,523

The accompanying notes are an integral part of the financial statements.

CITY OF NORTH SALT LAKE NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Salt Lake (the City) operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, public health, public improvements, highways, recreation, and general administrative services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

The accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Units

The City established a Redevelopment Agency (RDA) pursuant to state code and designated the City Council and the Mayor as the Redevelopment Agency Board. The financial statements of the RDA are included as part of the Comprehensive Annual Financial Report of the City (by blended presentation) and are included as a non-major governmental fund.

The City established a Municipal Building Authority pursuant to state code. The Governing Board of the Building Authority is comprised of the Mayor and members of the City Council. The purpose of the Authority is to serve the City as a financing agency for debt financed projects. During fiscal year 2004, all of the remaining debt related to the Authority was paid off and no other activity has occurred in the Authority since that time.

Financial information for the above mentioned component units may be obtained at the City's offices, located at 20 South Hwy 89, North Salt Lake, Utah, 84054.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they become an enforceable lien. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except for those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds).

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Golf Fund accounts for the activities of the City's golf course.

Additionally, the City reports the following fund types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The City accounts for the Redevelopment Agency, Municipal Building Authority, storm drain, park development, and police facilities impact fees in special revenue funds.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods and services, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund and the Golf Course enterprise fund are charges to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements –

- (1) Prior to May 1, the City Manager and Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.
- (4) The City Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved following a public hearing.

Budgets are prepared consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adopted. City management may make transfers of appropriations within a department. Transfers of appropriations between departments requires the approval of the council.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash accounts, and highly liquid investments.

Investments

Investments of the City are stated at cost, which approximates fair market value. Investments of the City are in the form of accounts at the Utah Public Treasurer's Investments Fund.

Inventories

Inventories of the enterprise funds are stated at lower of cost or market using the first in first out method.

Prepays

Prepays in the governmental funds are accounted for using the consumption method.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	30-50
Machinery and equipment	5-12
Furniture and fixtures	5-10
Infrastructure	30-50

Property Taxes

Property taxes attach as an enforceable lien on property as of the first of January. Taxes are levied on October 1 and are due and payable at November 30.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances - Reserved

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The reserved fund balance for the Special Revenue Funds represent property tax and impact fees collected that are to be used exclusively for future expenditures for the purpose for which the taxes and fees were implemented.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk – deposits is the risk that in the event of bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2006, \$157,871 of the City's bank balances of \$357,871 were uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investment include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the City had investments of \$5,683,654 with PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED ASSETS

Restricted assets consist of cash reserves required by bonding agreements for repair and replacement costs and for future bond payments. Additionally, restricted assets consist of impact fees collected that have not yet been used for their intended purpose.

NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2006 for all funds is \$4,354.

NOTE 5 CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,057,855	\$ 2,329,541	\$ -	\$ 3,387,396
Construction in progress	346,794	-	346,794	-
Total capital assets, not being depreciated	<u>1,404,649</u>	<u>2,329,541</u>	<u>346,794</u>	<u>3,387,396</u>
Capital assets, being depreciated:				
Buildings	1,314,886	1,199,774	-	2,514,660
Improvements other than buildings	594,593	-	-	594,593
Machinery and equipment	2,036,868	342,023	49,122	2,329,769
Infrastructure	1,075,155	839,900	-	1,915,055
Total capital assets, being depreciated	<u>5,021,502</u>	<u>2,381,697</u>	<u>49,122</u>	<u>7,354,077</u>
Less accumulated depreciation for:				
Buildings	829,425	76,453	-	905,878
Improvements other than buildings	163,360	14,865	-	178,225
Machinery and equipment	1,249,682	209,193	36,351	1,422,524
Infrastructure	16,910	38,991	-	55,901
Total accumulated depreciation	<u>2,259,377</u>	<u>339,502</u>	<u>36,351</u>	<u>2,562,528</u>
Total capital assets being depreciated, net	<u>2,762,125</u>	<u>2,042,195</u>	<u>12,771</u>	<u>4,791,549</u>
Governmental activities capital assets, net	<u><u>\$ 4,166,774</u></u>	<u><u>\$ 4,371,736</u></u>	<u><u>\$ 359,565</u></u>	<u><u>\$ 8,178,945</u></u>

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS AND DEPRECIATION (Continued)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,498,138	\$ -	\$ -	\$ 2,498,138
Construction in progress	10,524	1,685,811	10,524	1,685,811
Total capital assets, not being depreciated	2,508,662	1,685,811	10,524	4,183,949
Capital assets, being depreciated:				
Buildings	1,487,924	-	-	1,487,924
Golf Course	3,030,569	96,140	-	3,126,709
Water distribution system	5,405,594	286,173	-	5,691,767
Machinery & equipment	1,384,797	36,994	31,157	1,390,634
Total capital assets, being depreciated	11,308,884	419,307	31,157	11,697,034
Less accumulated depreciation for:				
Buildings	237,515	32,645	-	270,160
Golf Course	667,819	61,721	-	729,540
Water distribution system	1,588,864	181,987	-	1,770,851
Machinery & equipment	858,853	119,957	31,157	947,653
Total accumulated depreciation	3,353,051	396,310	31,157	3,718,204
Total capital assets being depreciated, net	7,955,833	22,997	-	7,978,830
Business-type activities capital assets, net	\$ 10,464,495	\$ 1,708,808	\$ 10,524	\$ 12,162,779

Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 115,762
Public safety	46,212
Public health	26,730
Highways and public improvements	114,130
Parks, recreation and public property	36,668
Total depreciation expense - governmental activities	\$ 339,502

NOTE 6 DEFERRED REVENUE

In conjunction with the implementation of GASB pronouncement 33 "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued a property tax receivable and deferred property tax revenue in the amount of \$1,386,000.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6 DEFERRED REVENUE (Continued)

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30.

Since the property tax to be levied on October 1, 2006 is not expected to be received within 60 days after year ended June 30, 2006, the City is required to record a receivable and deferred revenue of the estimated amount of the total property tax to be levied on October 1, 2006.

NOTE 7 LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2006.

	July 1, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
Governmental Activities:					
Other liabilities					
Compensated absences	\$ 251,675	\$ 40,792	\$ 38,106	\$ 254,361	\$ 37,878
Total other liabilities	<u>251,675</u>	<u>40,792</u>	<u>38,106</u>	<u>254,361</u>	<u>37,878</u>
Governmental activities long-term liabilities	<u>251,675</u>	<u>40,792</u>	<u>38,106</u>	<u>254,361</u>	<u>37,878</u>
Business-type activities:					
Bonds payable					
Water revenue bonds	2,537,000	-	608,000	1,929,000	230,000
G.O. refunding bond	6,120,000	-	795,000	5,325,000	410,000
Plus: unamortized premium	-	-	-	-	-
Total bonds payable	<u>8,657,000</u>	<u>-</u>	<u>1,403,000</u>	<u>7,254,000</u>	<u>640,000</u>
Notes payable					
Golf course note payable	657,000	-	-	657,000	-
Total notes payable	<u>657,000</u>	<u>-</u>	<u>-</u>	<u>657,000</u>	<u>-</u>
Other liabilities					
Compensated absences	73,875	23,984	20,087	77,772	17,303
Total other liabilities	<u>73,875</u>	<u>23,984</u>	<u>20,087</u>	<u>77,772</u>	<u>17,303</u>
Business-type activities long-term liabilities	<u>9,387,875</u>	<u>23,984</u>	<u>1,423,087</u>	<u>7,988,772</u>	<u>657,303</u>
Total Governmental	<u>\$ 9,639,550</u>	<u>\$ 64,776</u>	<u>\$ 1,461,193</u>	<u>\$ 8,243,133</u>	<u>\$ 695,181</u>

Compensated absences is generally liquidated by the General, Water, and Golf Funds.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7 LONG-TERM DEBT (Continued)

Water Revenue Refunding Bonds, Series 1998

In July of 1998 the City issued Series 1998 Water Revenue Refunding Bonds with a par value of \$675,000 to refinance \$605,000 of outstanding Water Revenue Obligation Bonds, Series February 5, 1992. The net proceeds of \$672,824 plus \$66,823 of bond reserve fund (after payment of approximately \$35,000 for bond issuance costs and \$65,050 for reserve funds) were placed with an escrow agent to provide for future payments on the Series February 5, 1992 bonds. The balance of the Series February 5, 1992 bonds was paid off in 2002. The Series 1998 bonds final payment was due December 2012, however, the City exercised the call option and paid off the bond in November 2005.

Water Revenue and Refunding Bonds, Series 2002

<u>Year ending June 30, 2006</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1.80%	\$ 71,000	\$ 20,178	\$ 91,178
2008	1.80%	75,000	18,900	93,900
2009	1.80%	80,000	17,550	97,550
2010	1.80%	85,000	16,110	101,110
2011	1.80%	90,000	14,580	104,580
2012-2015	1.80%	720,000	38,538	758,538
		<u>\$ 1,121,000</u>	<u>\$ 125,856</u>	<u>\$ 1,246,856</u>

In April of 2002 the City issued Series 2002 Water Revenue and Refunding Bonds with a par value of \$1,158,000. Upon issuance of the Series 2002 bonds, \$718,000 was exchanged with the Board of Water Resources to retire the Series 2000B Bonds. The final payment for the Series 2002 Bonds is due December 2014.

The City is required to maintain a debt service reserve account. The balance in the reserve account related to this bond as of June 30, 2006 is \$91,178.

Water Revenue Refunding Bonds, Series 2004

<u>Year ending June 30, 2006</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.30%	\$ 159,000	\$ 22,432	\$ 181,432
2008	2.70%	164,000	18,389	182,389
2009	3.05%	168,000	13,613	181,613
2010	3.35%	173,000	8,154	181,154
2011	3.65%	144,000	2,628	146,628
		<u>\$ 808,000</u>	<u>\$ 65,216</u>	<u>\$ 873,216</u>

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7 LONG-TERM DEBT (Continued)

Water Revenue Refunding Bonds, Series 2004 (Continued)

In January of 2004 the City issued Water Revenue Refunding Bond, Series 2004 with a par value of \$1,122,000 to refund the Water Revenue Bonds, Series 2000A. The reacquisition price exceeded the net carrying amount of the old debt by \$35,648. This amount is being amortized over the life of the bond. The refunding was undertaken to reduce total debt service payments by \$129,989 and resulted in an economic gain of \$79,296. The final payment for the Series 2004 bonds is due December 2010.

The City is required to maintain a debt service reserve account. The balance in the reserve account related to this bond as of June 30, 2006 is \$181,432.

General Obligation Refunding Bonds, Series 2003

<u>Year ending June 30, 2006</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.60%	\$ 410,000	\$ 199,548	\$ 609,548
2008	2.85%	420,000	188,888	608,888
2009	3.10%	430,000	176,917	606,917
2010	3.40%	445,000	163,587	608,587
2011	3.65%	460,000	148,457	608,457
2012-2016	3.80%-4.35%	2,580,000	463,254	3,043,254
2017	4.50%	580,000	26,100	606,100
		<u>\$ 5,325,000</u>	<u>\$ 1,366,751</u>	<u>\$ 6,082,203</u>

The City renegotiated the terms of this bond wherein the City made two principal reduction payments during the year. The additional payment reduced interest costs on the bond by approximately \$104,000 and resulted in the bond being paid off six months earlier. The bond is scheduled to be paid off in June of 2017.

Golf Course Notes Payable

The City shall pay a lender an amount equal to 100 percent of all cash flow until the lender shall have been paid an amount equal to 5 percent of the total participation net income which has accrued from the date hereof through the end of the fiscal year for which the payment is being made and which has not been previously paid to the lender. The City's obligation to make payments to the lender shall commence at such time as the City shall have accumulated in the enterprise reserve fund the amount of \$175,000, which amount shall include any interest earned on funds deposited in the enterprise reserve fund. Prior to the accumulation of \$175,000, 100 percent of the cash flow shall be deposited in the enterprise reserve fund. In any fiscal year the cash flow is not available to permit actual payment to the lender of amounts required to be paid pursuant to this section, then payment of such amounts shall be deferred until such time as cash flow shall be available to make payments. The annual due date of all payments shall be 90 days after the close of each fiscal year. Computation of payment on this note is not determinable as it is based on net income. The golf course had no net income for the current year.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8 OTHER COMMITMENTS

The City has entered into an agreement to guarantee the purchase of equipment by the South Davis Metro Fire Agency. The equipment is on a lease agreement for a total of approximately \$128,800. This includes interest of approximately \$5,000. The final payment is due September 2006.

The City has entered into agreements to construct and repair infrastructure improvements. The remaining portion of those commitments yet to be completed and paid is approximately \$2,560,000.

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2006 is as follows:

Due to/from other funds:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,267,230	\$ -
Water Fund	33,588	-
Golf Fund	-	1,300,818
	<u>\$ 1,300,818</u>	<u>\$ 1,300,818</u>

The General Fund receivable is due entirely from the Golf Fund of which \$908,032 represents transferred subsidies made to the Golf Fund from Fiscal Years 1994 through 2000. The Water Fund receivable is due from the Golf Fund and represents amounts paid by the Water Fund to upgrade the golf course irrigation system in Fiscal Year 2001.

Interfund transfers as of June 30, 2006 are as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 57,000	\$ 1,294,939
Capital Improvements Fund	1,185,000	-
Redevelopment Agency	-	2,000
Water Fund	-	340,000
Golf Fund	394,939	-
	<u>\$ 1,636,939</u>	<u>\$ 1,636,939</u>

The transfers from the General Fund are comprised of: \$900,000 to the Capital Improvement (CIP) Fund for future building additions, \$394,939 to the Golf Fund to (a) cover current year cash flow, (b) to eliminate prior years' deficit. The transfers to the General Fund are comprised of: \$2,000 received from the RDA for administrative expenses and \$55,000 administrative transfer from the water fund for City Engineer services provided (annual appropriation). The Water fund also transferred \$285,000 to the Capital Improvements Fund for its portion of the construction of the new shop building.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10 OTHER REQUIRED FUNDS DISCLOSURE

For the year ended June 30, 2006, the following departments and funds exceeded appropriations:

General Fund	
Police	\$ 26,602
Streets	11,501
Public works	56,737
Park Development Special Revenue Fund	18,020

NOTE 11 INTERLOCAL AGREEMENTS AND SERVICE DISTRICTS

The City participates in the following special districts to provide services to its residents:

Davis County Solid Waste Management and Emergency Recovery Special Service District
South Davis Metro Fire Agency
South Davis County Sewer District
South Davis Recreation District

The Solid Waste Management District, Sewer District and Recreation District charge users directly for services received. The City paid the Fire District \$765,508 for fire services.

The City has representatives on the governing boards of the above districts but does not have total or final control over the fiscal or administrative activities of these entities. Payments or services to these entities are included in the expenditures of the City's general fund. Separate financial statements are prepared by these districts and are publicly available through their offices.

NOTE 12 RETIREMENT PLANS

Plan Description

The City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with (without) Social Security coverage, both of which are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living allowances and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

Systems is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with (without) Social Security coverage, which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12 RETIREMENT PLANS (Continued)

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. The City is required to contribute a percent of covered salary to the respective systems, 11.090% to the Local Government Noncontributory and 19.340% to the Public Safety Noncontributory. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the various systems for the years ended June 30, 2006, 2005 and 2004 respectively were: for the Noncontributory System, \$162,760, \$144,719 and \$119,652; for the Public Safety Noncontributory, \$101,671, \$85,691 and \$72,633, respectively. The contributions were equal to the required contributions for the year.

IRC Code Section 401K Plan

The City participates in a 401K plan offered through the Utah State Retirement System. The contribution for fiscal year ended June 30, 2006 was \$230,523, which consisted of \$16,781 from employee contributions and \$180,442 from City contributions.

IRC Code Section 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The assets and income of the Internal Revenue Code Section 457 Plan are held in trust by the Utah Retirement System for the exclusive benefit of the participants or their beneficiaries.

NOTE 13 POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 12, in the past, the City provided post-retirement health care benefits to employees who retired from the City with at least 20 years of service with the City. Currently, the City does not offer this benefit. Expenditures for post-retirement health care benefits are recognized on a monthly basis as the premiums are paid. During the year, expenditures of \$0 were recognized for post-retirement health care.

NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2006 there were not outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2006 which exceeded its insurance coverage.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 15 CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were two series of industrial revenue bonds outstanding. The aggregate principal amount payable was approximately \$250,000. The notes will be fully paid off in fiscal year 2007.

Subsequent to the fiscal year end the City agreed to additional conduit debt for \$1,000,000 with Life Line, Inc.

NOTE 16 REDEVELOPMENT AGENCY

In accordance with Utah State law, the City makes the following disclosures relative to the North Salt Lake City Redevelopment Agency (RDA): The RDA collected \$34,379 for project area 2 of tax increment monies. None of these funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area.

The RDA expended \$2,000 for administrative costs, and \$32,379 was paid to the developer, toward project area 2.

NOTE 17 SUBSEQUENT EVENTS

On August 3, 2006 the City issued the Series 2006 Water Revenue Bonds for \$4,560,000. Interest and principal are payable each March 1 and September 1 commencing March 1, 2007 until the scheduled payoff in 2021. The average interest rate for this bond is approximately 4.5%

SUPPLEMENTAL INFORMATION

CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Park Development</u>	<u>Storm Drain</u>	<u>Police Facilities</u>	<u>Redevelopment Agency</u>	
Assets:					
Receivables:					
Taxes	\$ -	\$ -	\$ 26,371	\$ 36,000	\$ 62,371
Restricted assets:					
Cash and cash equivalents	1,116,488	143,641	-	6,145	1,266,274
Total Assets	<u>\$ 1,116,488</u>	<u>\$ 143,641</u>	<u>\$ 26,371</u>	<u>\$ 42,145</u>	<u>\$ 1,328,645</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 31,120	\$ 6,134	\$ -	\$ -	\$ 37,254
Deferred revenues	-	-	-	36,000	36,000
Total Liabilities	<u>31,120</u>	<u>6,134</u>	<u>-</u>	<u>36,000</u>	<u>73,254</u>
Fund Balances:					
Reserved for:					
Impact fees	1,085,368	137,507	26,371	-	1,249,246
Property tax increment	-	-	-	6,145	6,145
Total Fund Balances	<u>1,085,368</u>	<u>137,507</u>	<u>26,371</u>	<u>6,145</u>	<u>1,255,391</u>
Total Liabilities and Fund Balances	<u>\$ 1,116,488</u>	<u>\$ 143,641</u>	<u>\$ 26,371</u>	<u>\$ 42,145</u>	<u>\$ 1,328,645</u>

CITY OF NORTH SALT LAKE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Development	Storm Drain	Police Facilities	Redevelopment Agency	
Revenues:					
Property tax increment	\$ -	\$ -	\$ -	\$ 34,379	\$ 34,379
Impact fees	433,450	144,160	38,636	-	616,246
Interest	40,033	3,957	155	493	44,638
Total Revenues	473,483	148,117	38,791	34,872	695,263
Expenditures:					
Improvements	4,420	15,872	12,420	-	32,712
Payments to developers	208,600	29,497	-	32,379	270,476
Total Expenditures	213,020	45,369	12,420	32,379	303,188
Excess (deficiency) of Revenues Over (Under) Expenditures	260,463	102,748	26,371	2,493	392,075
Other Financing Sources (Uses):					
Contributions	20,000	-	-	-	20,000
Transfer out	-	-	-	(2,000)	(2,000)
Total Other Financing Sources and Uses	20,000	-	-	(2,000)	18,000
Net Change in Fund Balance	280,463	102,748	26,371	493	410,075
Fund Balance, Beginning	804,905	34,759	-	5,652	845,316
Fund Balance, Ending	\$ 1,085,368	\$ 137,507	\$ 26,371	\$ 6,145	\$ 1,255,391

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
For The Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest	-	-	49,190	49,190
Total Revenues	<u>-</u>	<u>-</u>	<u>49,190</u>	<u>49,190</u>
Expenditures:				
Parks, recreation, and public property	875,000	1,185,000	1,174,763	10,237
Total Expenditures	<u>875,000</u>	<u>1,185,000</u>	<u>1,174,763</u>	<u>10,237</u>
Excess of Revenues Over (Under) Expenditures	<u>(875,000)</u>	<u>(1,185,000)</u>	<u>(1,125,573)</u>	<u>59,427</u>
Other Financing Sources (Uses):				
Transfer in	875,000	960,000	1,185,000	225,000
Total Other Financing Sources (Uses)	<u>875,000</u>	<u>960,000</u>	<u>1,185,000</u>	<u>225,000</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (225,000)</u>	<u>59,427</u>	<u>\$ 284,427</u>
Fund Balance, Beginning			<u>1,854,249</u>	
Fund Balance, Ending			<u>\$ 1,913,676</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR PARK DEVELOPMENT
SPECIAL REVENUE FUND
For The Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 500,000	\$ 470,000	\$ 433,450	\$ (36,550)
Interest	10,000	35,000	40,033	5,033
Total Revenues	<u>510,000</u>	<u>505,000</u>	<u>473,483</u>	<u>(31,517)</u>
Expenditures:				
Improvements	320,000	-	4,420	(4,420)
Payments to developers	190,000	195,000	208,600	(13,600)
Total Expenditures	<u>510,000</u>	<u>195,000</u>	<u>213,020</u>	<u>(18,020)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>-</u>	<u>310,000</u>	<u>260,463</u>	<u>(49,537)</u>
Other Financing Sources (Uses):				
Contributions	-	20,000	20,000	-
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 330,000</u>	<u>280,463</u>	<u>\$ (49,537)</u>
Fund Balance, Beginning			<u>804,905</u>	
Fund Balance, Ending			<u>\$ 1,085,368</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR STORM DRAIN SPECIAL
REVENUE FUND
For The Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 125,000	\$ 150,000	\$ 144,160	\$ (5,840)
Interest	1,000	3,500	3,957	457
Total Revenues	<u>126,000</u>	<u>153,500</u>	<u>148,117</u>	<u>(5,383)</u>
Expenditures:				
Improvements	96,000	46,000	15,872	30,128
Payments to developers	30,000	32,500	29,497	3,003
Total Expenditures	<u>126,000</u>	<u>78,500</u>	<u>45,369</u>	<u>33,131</u>
Excess of Revenues Over (Under)				
Expenditures	<u>-</u>	<u>75,000</u>	<u>102,748</u>	<u>27,748</u>
Other Financing Sources (Uses):				
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing				
Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 75,000</u>	<u>102,748</u>	<u>\$ 27,748</u>
Fund Balance, Beginning			<u>34,759</u>	
Fund Balance, Ending			<u><u>\$ 137,507</u></u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR POLICE FACILITIES
SPECIAL REVENUE FUND
For The Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ -	\$ 27,400	\$ 38,636	\$ 11,236
Interest	-	100	155	55
Total Revenues	<u>-</u>	<u>27,500</u>	<u>38,791</u>	<u>11,291</u>
Expenditures:				
Improvements	-	12,500	12,420	80
Payments to developers	-	-	-	-
Total Expenditures	<u>-</u>	<u>12,500</u>	<u>12,420</u>	<u>80</u>
Excess of Revenues Over (Under)				
Expenditures	<u>-</u>	<u>15,000</u>	<u>26,371</u>	<u>11,371</u>
Other Financing Sources (Uses):				
Transfer out	-	-	-	-
Total Other Financing				
Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 15,000</u>	<u>26,371</u>	<u>\$ 11,371</u>
Fund Balance, Beginning			<u>-</u>	
Fund Balance, Ending			<u>\$ 26,371</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
For The Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
Revenues:				
Taxes	\$ 38,000	\$ 35,000	\$ 34,379	\$ (621)
Interest	100	500	493	(7)
Total Revenues	<u>38,100</u>	<u>35,500</u>	<u>34,872</u>	<u>(628)</u>
Expenditures:				
Current:				
Payments to developers	36,100	33,500	32,379	1,121
Total Expenditures	<u>36,100</u>	<u>33,500</u>	<u>32,379</u>	<u>1,121</u>
Excess of Revenues Over (Under)				
Expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,493</u>	<u>493</u>
Other Financing Sources (Uses):				
Transfer out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Total Other Financing				
Sources (Uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	493	<u>\$ 493</u>
Fund Balance, Beginning			<u>5,652</u>	
Fund Balance, Ending			<u>\$ 6,145</u>	

CITY OF NORTH SALT LAKE
IMPACT FEE SCHEDULE
Police Facilities Fund
June 30, 2006

North Salt Lake City Impact Fee Reporting: Police Facilities Fund

Fiscal Year ending June 30th for the following years:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Per Year:	10	9	8	7	6	5	4	3	2	1	Budget

Revenue:											
Development Impact Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,636	\$ 85,000
Interest Earned	-	-	-	-	-	-	-	-	-	155	-
Donations, Grants	-	-	-	-	-	-	-	-	-	-	-
Total Revenue:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,791	\$ 85,000

Expenditures:											
Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impact Fee/Other Studies	-	-	-	-	-	-	-	-	-	12,420	-
Project - City Hall Add'n Reprmt (CIP Fund)	-	-	-	-	-	-	-	-	-	-	100,000
Total Expenditures:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,420	\$ 100,000

Revenue over/(under) Expenditures: \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 26,371 \$ (15,000)

Ending Fund Balance:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,371	\$ 11,371
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Estimated Impact Fee Reserves in Years*:	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.29
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*Note: Maximum equals 6 years

Other Pending Projects	Estimate
CIP Fund Loan Repayment - Year 1	\$ 150,000
CIP Fund Loan Repayment - Year 2	150,000
CIP Fund Loan Repayment - Year 3	150,000
CIP Fund Loan Repayment - Year 4	150,000
CIP Fund Loan Repayment - Year 5	150,000
CIP Fund Loan Repayment - Year 6	150,000
CIP Fund Loan Repayment - Year 7	150,000
CIP Fund Loan Repayment - Year 8	150,000
CIP Fund Loan Repayment - Year 9	150,000
CIP Fund Loan Repayment - Year 10	150,000
TOTALS:	\$ 1,500,000

CITY OF NORTH SALT LAKE
IMPACT FEE SCHEDULE
Park Development Fund
June 30, 2006

North Salt Lake City Impact Fee Reporting: Park Development Fund

Fiscal Year ending June 30th for the following years:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	10	9	8	7	6	5	4	3	2	1	Budget

Revenue:											
Development Impact Fee	\$ 28,400	\$ 11,900	\$ 33,800	\$ 18,000	\$ 50,000	\$ 44,800	\$ 77,450	\$ 462,850	\$ 563,850	\$ 433,450	\$ 514,000
Interest Earned	986	272	1,028	1,634	2,853	2,590	2,609	3,398	17,099	40,032	25,000
Donations, Grants	-	-	-	-	-	-	20,000	-	-	20,000	396,000
Total Revenue:	\$ 29,386	\$ 12,172	\$ 34,828	\$ 19,634	\$ 52,853	\$ 47,390	\$ 100,059	\$ 466,248	\$ 580,949	\$ 493,482	\$ 935,000

Expenditures:											
Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,776	\$ -	\$ -	\$ -
Impact Fee/Other Studies	-	-	5,000	-	-	-	-	-	28,390	4,420	-
Project - Foxboro Park	-	-	-	-	-	-	-	83,300	224,700	208,600	140,000
Project - Hatch Park	-	-	-	-	-	-	-	12,482	36,347	-	-
Project - Center St Trail	29,386	231	-	5,902	-	-	-	-	-	-	-
Project - Trailhead Park	-	-	551	-	-	-	-	-	-	-	835,000
Project - Skate Park	-	-	-	-	-	-	4,751	63,787	-	-	575,000
Project - Eaglewood Dr Mini-Park	-	-	4,301	21,560	-	-	-	15,150	-	-	-
Total Expenditures:	\$ 29,386	\$ 231	\$ 9,852	\$ 27,462	\$ -	\$ -	\$ 4,751	\$ 177,495	\$ 289,437	\$ 213,020	\$ 1,550,000

Revenue over/(under) Expenditures: **\$ - \$ 11,941 \$ 24,976 \$ (7,828) \$ 52,853 \$ 47,390 \$ 95,308 \$ 288,753 \$ 281,512 \$ 280,462 \$ (615,000)**

Ending Fund Balance:	\$ -	\$ 11,941	\$ 36,917	\$ 29,089	\$ 81,942	\$ 129,332	\$ 224,640	\$ 513,393	\$ 804,905	\$ 1,085,367	\$ 470,367
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Estimated Impact Fee Reserves in Years*:	N/A	0.41	3.03	0.84	4.17	2.45	4.74	5.13	1.73	1.87	0.95
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*Note: Maximum equals 5 years

Other Pending Projects (<5 Yrs)	Estimate
Gregerson Park Improvements	\$ 90,000
Golf Course Area Improvements	50,000
Hatch Park Improvements	200,000
Monument Open Space	575,000
Highway 89 Trail to SLC	600,000
Bonneville Shoreline Trail / Connect	200,000
Eagleridge Trail East/Central Sections	45,000
Kern River Trail West Section	30,000
TOTALS:	\$ 1,790,000

CITY OF NORTH SALT LAKE
IMPACT FEE SCHEDULE
Storm Drain Fund
June 30, 2006

North Salt Lake City Impact Fee Reporting: Storm Drain Fund

Fiscal Year ending June 30th for the following years:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	10	9	8	7	6	5	4	3	2	1	Budget

Revenue:											
Development Impact Fee	\$ 51,911	\$ 53,569	\$ 40,945	\$ 41,002	\$ 69,464	\$ 52,384	\$ 79,815	\$ 170,338	\$ 171,480	\$ 144,160	\$ 148,000
Interest Earned	2,882.00	7,370.00	9,396.00	8,669.00	9,829.00	1,827.00	781.00	1,457.00	1,378.00	3,956.00	4,000.00
Loans from other Funds - General Fund	-	-	-	-	-	-	-	75,000.00	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	390,000.00
Total Revenue:	\$ 54,793	\$ 60,939	\$ 50,341	\$ 49,671	\$ 79,293	\$ 54,211	\$ 80,576	\$ 246,795	\$ 172,858	\$ 148,116	\$ 540,000

Expenditures:											
Land Purchases	-	-	-	-	-	-	-	-	-	-	-
Impact Fee/Other Studies	-	-	-	7,500	17,770	33,376	-	-	3,290	1,773	-
Loan Repayment - General Fund	-	-	-	-	-	-	-	-	75,000	-	-
Project - Foxboro Area	-	-	-	-	-	-	-	31,314	32,213	28,497	35,000
Project - 1100n Detention Basin	-	-	184	61,910	-	-	-	-	-	-	-
Project - Main Park Detention Basin	-	-	-	-	-	-	12,480	257,377	57,049	-	-
Project - Union Avenue	-	-	134	11,323	-	-	-	-	-	-	-
Project - Center Street Trail	-	-	-	-	-	-	-	-	-	14,099	280,000
Project - Golf Course Lake Tie-In	-	-	-	-	-	1,100	-	-	-	-	-
Project - Golf Course Holes 13-15	-	-	-	-	122,560	11,448	1,727	-	-	-	-
Project - Golf Course Holes 10, 12, 13	-	-	-	-	-	56,398	-	-	-	-	-
Project - 3400 South & Orchard Drive	-	-	-	-	-	33,921	-	-	-	-	-
Projects - Misc Capital Facility Plan	32,664	-	-	-	10,232	17,871	5,631	-	-	-	300,000
Total Expenditures:	\$ 32,664	-	\$ 318	\$ 80,733	\$ 150,562	\$ 154,112	\$ 19,838	\$ 288,691	\$ 167,552	\$ 45,369	\$ 615,000

Revenue over/(under) Expenditures: \$ 22,129 \$ 60,939 \$ 50,023 \$ (31,062) \$ (71,269) \$ (99,901) \$ 60,738 \$ (41,896) \$ 5,306 \$ 102,747 \$ (75,000)

Ending Fund Balance:	\$ 108,015	\$ 168,954	\$ 218,977	\$ 187,915	\$ 116,646	\$ 16,745	\$ 77,483	\$ 35,587	\$ 40,893	\$ 143,640	\$ 68,640
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Estimated Impact Fee Reserves In Years*:	N/A	3.08	3.59	3.73	2.35	0.21	1.43	0.44	0.17	0.83	0.46
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*Note - Maximum equals 5 years

Other Pending Projects (<5 Yrs)	Estimate
CIP Proj 1- Eaglemood Dr Lower Pond	\$ 148,500
CIP Proj 2a- Area Near 1-15 & Center St	365,500
CIP Proj 2b- Center Street E. of 700 W.	376,500
CIP Proj 2c- Center Street 400-650 W.	481,500
CIP Proj 3a-e: Golf Course Area	191,500
TOTALS:	\$ 1,564,500

CITY OF NORTH SALT LAKE IMPACT FEE SCHEDULE Water Fund June 30, 2006

North Salt Lake City Impact Fee Reporting: Water Fund

Fiscal Year ending June 30th for the following years:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenue:											
Development Impact Fee	\$ 250,000	\$ 360,000	\$ 200,305	\$ 597,235	\$ 368,850	\$ 260,150	\$ 367,631	\$ 1,056,530	\$ 1,081,625	\$ 1,343,150	\$ 1,200,000
Interest Earned	21,000	28,000	12,527	12,871	32,747	32,291	11,879	2,025	31,382	63,705	52,500
Bond Proceeds	-	-	-	-	1,470,000	718,000	-	-	-	-	4,000,000
Total Revenue:	\$ 271,000	\$ 388,000	\$ 212,832	\$ 610,106	\$ 1,871,597	\$ 1,010,441	\$ 409,411	\$ 1,058,555	\$ 1,113,007	\$ 1,406,855	\$ 5,252,500

Expenditures:											
Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impact Fee/Other Studies	-	-	-	-	-	-	-	7,025	40,849	29,577	-
DEBT SERVICE - Interest	-	-	-	-	-	-	-	95,370	75,838	60,864	47,500
DEBT SERVICE - Principal	-	-	-	-	-	-	-	242,000	204,000	608,000	230,000
Project - Waterline 350n Main to Tank	-	-	-	2,128	6,104	222,430	654,527	-	-	-	-
Project - Waterline Flying-J Well to 350n	-	-	-	-	85,034	6,066	-	-	-	-	-
Project - Flying J Well & Pumphouse	-	-	-	81,376	244,817	175,839	7,811	-	-	-	-
Project - Waterline 350n Center-Epouite	-	-	-	117	94,182	-	-	-	-	-	-
Project - Valley View Well & Pumphouse	-	-	-	-	169,864	2,298	-	-	-	-	-
Project - Waterline UPRR-Union Ave	-	-	-	-	7,253	41,218	-	-	-	-	-
Project - Waterline 1100n WX-Main St	-	-	-	-	10,728	98,376	-	-	-	-	-
Project - Honey Well & Pumphouse	-	-	-	924	14,498	177,311	199,749	-	-	-	-
Project - Alger Reservoir & Pumphouse	-	-	-	94,264	655,159	49,214	2,436	-	-	-	-
Project - Redwood Road Waterline	-	-	-	169,410	110,816	-	-	192,754	10,524	1,394	-
Project - Overland Drive Waterline	-	-	-	3,085	-	-	-	61,800	5,018	-	-
Project - 5200 ft Elevation Reservoir	-	-	-	-	-	-	-	-	41,591	717,540	325,000
Project - 350n Donut Tank Reservoir	-	-	-	-	-	-	-	-	-	566,895	340,000
Project - 1100w (WX) Freda Well	-	-	-	-	-	-	-	-	-	365,165	-
Project - Waterline: 5200-5480 Ft Elev	-	-	-	-	-	-	-	-	-	25,405	-
Project - 5480 Ft Elev Reservoir	-	-	-	-	-	-	-	-	-	2,070	-
Projects - Misc Capital Facility Plan	29,500	256,000	208,969	7,232	85,774	30,966	30,890	-	(300)	-	4,310,000
Total Expenditures:	\$ 29,500	\$ 256,000	\$ 208,969	\$ 358,556	\$ 1,464,028	\$ 803,737	\$ 895,213	\$ 598,749	\$ 377,620	\$ 2,376,740	\$ 5,252,500

Revenue over/(under) Expenditures: **\$ 241,600** **\$ 132,000** **\$ 5,863** **\$ 251,550** **\$ 407,569** **\$ 206,703** **\$ 489,802** **\$ 459,806** **\$ 735,387** **\$ (969,885)** **\$ -**

Ending Fund Balance:	\$ 29,500	\$ 161,500	\$ 167,363	\$ 418,914	\$ 826,483	\$ 1,033,186	\$ 547,384	\$ 1,007,190	\$ 1,742,577	\$ 772,692	\$ 772,692
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Estimated Impact Fee Reserves in Years:	N/A	0.60	0.43	1.97	1.35	0.55	0.54	2.46	1.65	0.69	0.55
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Other Pending Projects (<5 Yrs)	Estimate
Project - Redrill Old Well @ Pumphouse	\$ 734,900
Project - 350n Pump Building Upgrade	185,600
Project - Cottonline Well & Pumphouse	693,000
Project - 5480 Ft Elev Reservoir	1,096,560
Project - 1100n Line Main-Overland Dr	198,360
Project - Eaglewood Dr Reservoir	1,405,560
Project - Eaglewood Dr Pumphouse/Ln	736,200
TOTALS:	\$ 5,030,180

**CITY OF NORTH SALT LAKE
NORTH SALT LAKE, UTAH**

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Jensen & Keddington, P.C.
Certified Public Accountants

**CITY OF NORTH SALT LAKE
SUPPLEMENTARY REPORTS
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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
City of North Salt Lake, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake as of and for the year ended June 30, 2006, which collectively comprise the City of North Salt Lake's basic financial statements, and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of North Salt Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of North Salt Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the City of North Salt Lake in the accompanying *Schedule of Findings and Recommendations*.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of North Salt Lake, the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

August 11, 2006



**AUDITOR'S REPORT ON
STATE OF UTAH
LEGAL COMPLIANCE**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
City of North Salt Lake, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake, for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. As part of our audit, we have audited the City of North Salt Lake's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance program from the State of Utah:

B&C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts
- B & C Road Funds
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees

The management of the City of North Salt Lake is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion, which is expressed in the following paragraph.

In our opinion, the City of North Salt Lake complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Jeram & Keddington

August 11, 2006

CITY OF NORTH SALT LAKE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2006

STATE LEGAL COMPLIANCE
IMMATERIAL INSTANCES OF NONCOMPLIANCE

EXPENDITURES IN EXCESS OF BUDGET

Finding

Utah State Code states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund." The City's expenditures exceeded the budget in the following departments and fund:

<u>Department/Fund</u>	<u>Amount Expenditures Exceeded Budget</u>
General Fund	
Police	\$ 26,602
Streets	11,501
Public works	56,737
Park Development Special Revenue Fund	18,020

Recommendation

We recommend that the City closely monitor expenditures in all departments and funds to ensure compliance with the Utah State Code.

City Response

We will monitor department and fund expenditures more closely to ensure full budgetary compliance.